

**SOUTHEASTERN LOUISIANA
AREA HEALTH EDUCATION CENTER
FOUNDATION**

June 30, 2004

Audit of Financial Statements

June 30, 2004

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2-02-05

CONTENTS

	Pages
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5 - 6
Notes to Financial Statements	7 - 11
SUPPLEMENTARY INFORMATION	
Schedule I - Combining Schedule of Assets, Liabilities and Net Assets	12
Schedule II - Combining Schedule of Support, Revenue, Expenses and Changes in Net Assets	13
Schedule III - Allocation of Program Management and, General and Administrative Expenses	14
OMB CIRCULAR A-133 SECTION	
Schedule of Expenditures of Federal Awards	16 - 17
Notes to Schedule of Expenditures of Federal Awards	18
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19 - 20
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	21 - 22
Schedule of Findings and Questioned Costs	23



LAPORTE SEHRT
ROMIG HAND
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Southeastern Louisiana Area
Health Education Center Foundation

Independent Auditor's Report

We have audited the accompanying statement of financial position of **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION** as of June 30, 2004, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the **FOUNDATION's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION** as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2004, on our consideration of **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METAIRIE, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956

WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

Our audit was performed for the purpose of forming an opinion on the basic financial statements of **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION** taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the accompanying financial information in Schedules I through III, is presented for purposes of additional information. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



A Professional Accounting Corporation

December 13, 2004

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2004**

ASSETS

Cash and Cash Equivalents	\$ 37,737
Certificates of Deposit	401,705
Cash Held in Escrow - Restricted	356,841
Due from LSUMC	295,880
Grants Receivable	199,007
Other Receivables	38,758
Loans Receivable	311,520
Due from LPHI	225,000
Prepaid Expenses	6,118
Deposits	300
Property, Equipment and Furniture, Net	<u>392,477</u>
 Total Assets	 <u>\$ 2,265,343</u>

LIABILITIES

Accounts Payable	\$ 345,034
Deferred Revenue	8,603
Notes Payable	1,062,105
Line of Credit Payable	<u>70,000</u>
 Total Liabilities	 1,485,742

NET ASSETS

Unrestricted - Designated for Future Expenditures	<u>779,601</u>
 Total Liabilities and Net Assets	 <u>\$ 2,265,343</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2004**

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUE

Cooperative Endeavor with LSUMC - State Portion	\$ 489,970
Cooperative Endeavor with LSUMC - Federal Portion	82,352
Federal Grant Revenue	1,394,156
Grant Revenue - State and Private	676,289
Interest Income	15,919
Librarian Services	88,676
Continuing Education Revenue	17,516
Other	<u>101,200</u>
Total Unrestricted Support and Revenue	<u>2,866,078</u>

EXPENSES

Program Services

Rural Health Outreach Services	568,798
Services to People with AIDS/HIV - Ryan White - Title II	16,163
Rural AIDS Prevention III	18,125
Rural AIDS Prevention IX	53,652
Genetic Research Grant	461,980
Educational and Recruitment Programs	35,731
Learning Resource Center	2,130
Contractual	60,087
Interest	15,755
Other Programs	546,566
Program Management	<u>282,068</u>
Total Program Services	<u>2,061,055</u>

Supporting Services

General and Administrative	<u>287,763</u>
Total Supporting Services	<u>287,763</u>
Total Expenses	<u>2,348,818</u>

INCREASE IN UNRESTRICTED NET ASSETS 517,260

UNRESTRICTED NET ASSETS - BEGINNING OF YEAR 262,341

UNRESTRICTED NET ASSETS - END OF YEAR \$ 779,601

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2004**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Unrestricted Net Assets	\$ 517,260
Adjustments to Reconcile Increase in Unrestricted Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	35,172
(Increase) in Due from LSUMC	(91,862)
(Increase) in Grant Receivable	(84,319)
Decrease in Other Receivables	12,074
(Increase) in Loans Receivable	(73,256)
Decrease in Due from LPHI	738
Decrease in Prepaid Expenses	5,861
Increase in Accounts Payable	56,316
Increase in Deferred Revenue	<u>8,603</u>
Cash Provided by Operating Activities	<u>386,587</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) in Restricted Cash	(356,841)
Purchase of Certificates of Deposit	(401,705)
Purchase of Fixed Assets	<u>(10,737)</u>
Cash Used in Investing Activities	<u>(769,283)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Notes Payable	300,000
Principal Payments on Notes Payable	(12,000)
Proceeds from Line of Credit	<u>70,000</u>
Cash Provided by Financing Activities	<u>358,000</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,696)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>62,433</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 37,737</u>

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
STATEMENT OF CASH FLOWS (Continued)
For The Year Ended June 30, 2004**

SUPPLEMENTAL DISCLOSURES

Schedule of Noncash Investing and Financing Transactions

Cash Paid for Interest	<u>\$ 15,755</u>
------------------------	------------------

The accompanying notes are an integral part of these financial statements.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION (FOUNDATION) is a Louisiana nonprofit organization chartered on June 22, 1989. Its purpose is to operate an area health education center in Southeastern Louisiana in order to plan for additional clinical educational opportunities in rural and underserved communities.

FEDERAL INCOME TAXES

The **FOUNDATION** is exempt from Federal Income Tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

BASIS OF ACCOUNTING

The **FOUNDATION** prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, involving the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

BASIS OF PRESENTATION

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the **FOUNDATION** is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2004, there are no temporarily or permanently restricted net assets.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

DONATED GOODS AND SERVICES

Under SFAS No. 116, organizations are required to recognize as revenue and related expense, services received if the organization would typically need to purchase the services if not received as donations. No amounts have been reflected in the financial statements for donated goods and services because there was either no objective basis available to measure their value or the value given was immaterial to the financial statements taken as a whole.

REVENUE AND EXPENSES

Support for the FOUNDATION is provided primarily by the Louisiana State University and Agricultural and Mechanical College, acting on behalf of the Louisiana State University Medical Center (LSUMC), and by federal grants received either directly from federal agencies or passed through state and local governmental agencies.

Expenditures pertaining to the funding provided by LSUMC are to be made in accordance with a budget, which has been adopted and made a part of the cooperative endeavor with LSUMC. The FOUNDATION is to be reimbursed by LSUMC for costs incurred in carrying out the provisions of the agreement.

For federal and state grants administered on a cost-reimbursement basis, revenue is recognized as allowable expenditures are incurred.

PROPERTY, EQUIPMENT AND FURNITURE

Effective with the October 1, 1994, cooperative endeavor between LSUMC and the FOUNDATION, title to equipment purchased with these funds is to remain with the FOUNDATION. Prior to October 1, 1994, title to equipment purchased with these funds was to remain with LSUMC. Therefore, equipment purchased with funds provided by LSUMC during the fiscal year ended June 30, 2004, has been capitalized and recorded in the Statement of Financial Position. In addition, the costs of automobiles, furniture, and office equipment purchased with funds provided by federal award programs have been capitalized and recorded in the Statement of Financial Position. Acquisitions of property and equipment in excess of \$1,000 and an economic useful life greater than one year are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows: building and building improvements 30 years, furniture and equipment 5 to 7 years.

CASH FLOW INFORMATION

The FOUNDATION considers all short-term investments with an original maturity of three months or less to be cash equivalents. The FOUNDATION did not make any cash payments for income taxes during the year ended June 30, 2004.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ECONOMIC DEPENDENCY

Support for the FOUNDATION is provided primarily by appropriations from the Louisiana State Legislature via a cooperative endeavor with the Louisiana State University Medical Center. The FOUNDATION also receives grants through federal and state agencies. The continued operations of the FOUNDATION are dependent upon the renewal by these funding sources.

ADVERTISING COSTS

Advertising costs are expensed as incurred. There were no advertising expenses for the year.

NOTE B

RURAL LOAN PROGRAM

During the year ended June 30, 2003, the FOUNDATION entered into an agreement with the Louisiana Public Health Institute (LPHI) and the Louisiana Public Facilities Authority (LPFA) whereby LPHI agreed to transfer its Rural Loan Fund Program (Program) to the FOUNDATION. The Program, which was funded by a \$500,000 non-interest bearing note from the LPFA, was established to assist rural health clinics and hospitals obtain necessary equipment and facilities to enhance their ability to provide high-quality health care to residents in rural areas of the State of Louisiana.

In accordance with the agreement, the LPFA canceled the note payable it had with LPHI and initiated a new note with the FOUNDATION. The note, which was issued with the same terms as the original note issued to LPHI, is non-interest bearing and the principal balance of the note is required to be paid upon the maturity of the note, which is January of 2012.

The agreement required that LPHI transfer ownership of all assets associated with the Program to the FOUNDATION. These assets included cash of \$63,648, outstanding loan balances totaling \$211,352, and certificates of deposit totaling \$225,000. As of June 30, 2004, the Certificates of Deposit are still in the name of LPHI and will be transferred to the FOUNDATION as they mature. Accordingly, the FOUNDATION has recognized the balance of the certificates as being due from LPHI on the Statement of Financial Position.

During the year ended June 30, 2004, LPFA issued an additional \$300,000 non-interest bearing note to the FOUNDATION. Under the terms of the agreement, the FOUNDATION was required to place these funds in an escrow account until the funds have been loaned out to rural health clinics and hospitals. The funds that are held in escrow are classified as restricted cash on the accompanying Statement of Financial Position.

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE C

LOANS RECEIVABLE

As described in Note B, the FOUNDATION implemented the Rural Loan Fund Program. Under the Program, rural community health clinics and hospitals can obtain low-interest loans to enhance their ability to provide high-quality health care.

At June 30, 2004, the FOUNDATION had seven loans outstanding totaling \$311,520. The seven loans have interest rates of approximately 4% to 5% and with maturities ranging from 2005 to 2009. Management considers the loans to be fully collectible.

NOTE D

PROPERTY, EQUIPMENT AND FURNITURE

As of June 30, 2004, Property, Equipment and Furniture consists of the following:

Land and Building	\$ 362,976
Office Equipment	88,997
Office Furniture	<u>28,892</u>
	480,865
Less: Accumulated Depreciation	<u>88,388</u>
	<u>\$ 392,477</u>

All capitalized assets are depreciated using the straight-line basis over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2004 totaled \$35,172.

NOTE E

NOTES PAYABLE

The FOUNDATION purchased a building during the year ended June 30, 2003, and entered into a note payable agreement in order to finance the purchase. The agreement was entered into on May 28, 2003. The loan calls for 59 monthly payments of \$2,403 beginning on July 1, 2003, and one final payment of \$220,480 due on the maturity date of June 1, 2007. The loan bears interest at 5.75%. Interest expense incurred for the current year was \$15,755.

Maturities of the note payable to the affiliate for the next five years are as follows:

2005	\$ 14,163
2006	15,000
2007	<u>232,942</u>
Total	<u>\$ 262,105</u>

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
NOTES TO FINANCIAL STATEMENTS**

NOTE E

NOTES PAYABLE (Continued)

In addition to the note described above, the FOUNDATION has an \$800,000 note payable from the LPFA pertaining to its Rural Loan Program, as described in Note B. The note is non-interest bearing, and the entire principal balance is due January of 2012.

The Foundation also has a line of credit in the amount of \$100,000. As of June 30, 2004, the Foundation had \$70,000 outstanding on this line of credit with an interest rate of 6%. The outstanding amount is current.

NOTE F

RETIREMENT PLAN

The FOUNDATION established an employer sponsored 403(b) Annuity Plan effective October 1, 1990, to provide retirement benefits for employees of the FOUNDATION and the payment of benefits to employees and their beneficiaries. The FOUNDATION's contribution was 7% of the employees' salaries during the year ended June 30, 2004. Additionally, an amount determined by resolution of the Board of Directors of the FOUNDATION may be contributed to the Plan. The contribution to the Plan for June 30, 2004, amounted to \$35,474.

NOTE G

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE H

CONCENTRATION OF RISK

At June 30, 2004, the FOUNDATION had funds deposited in financial institutions in excess of the \$100,000 FDIC guaranteed limits.

SOUTHEASTERN LOUISIANA AREA
HEALTH EDUCATION CENTER FOUNDATION
SUPPLEMENTARY INFORMATION

SCHEDULE 1
COMBINING SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS
June 30, 2004

	LSUMC Funding	DELTA Program	Rural Health Loan Program	Rural Aids Prevention Program III	Rural Aids Prevention Program IX	Genetic Research Grant	Other Programs	Plant Fund	Totals
ASSETS									
Cash and Cash Equivalents	\$ 18,643	\$ -	\$ 18,631	\$ -	\$ -	\$ 463	\$ -	\$ -	\$ 37,737
Certificates of Deposit	-	-	401,705	-	-	-	-	-	401,705
Cash Held in Escrow - Restricted	-	-	356,841	-	-	-	-	-	356,841
Due from LSUMC	51,844	61,198	-	-	16,152	182,838	-	-	295,880
Grants Receivable	-	-	-	-	-	-	182,855	-	182,855
Other Receivables	35,720	-	3,038	-	-	-	-	-	38,758
Loan Receivables	-	-	311,520	-	-	-	-	-	311,520
Due from LPHI	-	-	225,000	-	-	-	-	-	225,000
Due from Other Programs	185,843	-	-	-	-	-	-	-	185,843
Prepaid Expenses	4,140	-	-	-	-	-	1,978	-	6,118
Deposits	300	-	-	-	-	-	-	-	300
Property, Equipment and Furniture, Net	350,877	-	-	-	-	-	-	41,600	392,477
Total Assets	\$ 647,367	\$ 61,198	\$ 1,316,735	\$ -	\$ 16,152	\$ 183,301	\$ 184,833	\$ 41,600	\$ 2,451,186
LIABILITIES									
Accounts Payable	\$ 82,005	\$ 61,198	\$ 13,892	\$ -	\$ 461	\$ 181,650	\$ 5,828	\$ -	\$ 345,034
Deferred Revenue	-	-	-	-	-	-	8,603	-	8,603
Notes Payable	262,105	-	800,000	-	-	-	-	-	1,062,105
Line of Credit Payable	70,000	-	-	-	-	-	-	-	70,000
Due to Other Programs	-	-	-	-	15,691	-	170,152	-	185,843
Total Liabilities	414,110	61,198	813,892	-	16,152	181,650	184,583	-	1,671,585
NET ASSETS									
Unrestricted - Designated for Future Expenditures	233,257	-	502,843	-	-	1,651	250	41,600	779,601
Total Liabilities and Net Assets	\$ 647,367	\$ 61,198	\$ 1,316,735	\$ -	\$ 16,152	\$ 183,301	\$ 184,833	\$ 41,600	\$ 2,451,186

See independent auditor's report.

SOUTHEASTERN LOUISIANA AREA
HEALTH EDUCATION CENTER FOUNDATION
SUPPLEMENTARY INFORMATION

SCHEDULE II
COMBINING SCHEDULE OF SUPPORT, REVENUE, EXPENSES AND CHANGES IN NET ASSETS
For The Year Ended June 30, 2004

	LSUMC Funding	DELTA Program	Rural Health Loan Program	Rural AIDS Prevention Program Region III	Rural AIDS Prevention Program Region IX	Genetic Research Grant	Other Programs	Plant Fund	Totals
SUPPORT AND REVENUE									
Cooperative Endeavor with LSUMC - State Portion	\$ 489,970	-	-	-	-	-	-	\$ -	\$ 489,970
Cooperative Endeavor with LSUMC - Federal Portion	82,352	-	-	-	-	-	-	-	82,352
Federal Grant Revenue	-	490,122	-	18,125	53,652	461,980	370,277	-	1,394,156
Grant Revenue - State and Private	90	-	500,000	-	-	-	176,289	-	676,289
Interest Income	10,000	-	15,819	-	-	10	-	-	15,919
Librarian Services	17,316	78,676	-	-	-	-	-	-	88,676
Continuing Education Revenue	100,825	-	-	-	-	-	-	-	17,316
Other	-	-	375	-	-	-	-	-	101,200
Total Support and Revenue	700,753	568,798	516,194	18,125	53,652	461,990	546,566	-	2,866,078
EXPENSES									
Salaries and Related Benefits	406,590	120,211	-	14,110	40,013	273,823	323,984	-	1,178,731
Supplies and Maintenance	28,792	2,329	-	700	1,738	27,692	14,288	-	75,539
Equipment Expense	7,014	1,450	-	-	-	17,267	28,381	-	54,112
Rent	-	-	-	1,140	877	-	16,160	-	18,177
Utilities	19,399	-	-	1,553	1,704	-	14,117	-	36,773
Travel	10,278	23,628	-	622	5,602	809	27,881	-	68,820
Library	2,130	78,676	-	-	-	-	-	-	80,806
Contractual	60,087	295,283	-	-	-	-	12,000	-	367,370
Professional Costs	35,285	-	-	-	1,800	2,796	14,575	-	54,456
Legal Expenses	2,735	3,135	1,250	-	-	-	251	-	7,371
Programs	35,731	-	-	-	-	-	-	-	35,731
Dues and Conferences	6,692	-	-	-	-	-	-	-	6,692
Depreciation	12,099	-	-	-	-	-	-	23,073	35,172
Interest	15,755	-	-	-	-	-	-	-	15,755
Other	17,874	44,086	14,913	-	1,918	139,593	94,929	-	313,313
Total Expenses	660,461	568,798	16,163	18,125	53,652	461,980	546,566	23,073	2,348,818
INCREASE (DECREASE) IN NET ASSETS	40,292	-	500,031	-	-	10	-	(23,073)	517,260
NET ASSETS - BEGINNING OF YEAR	203,702	-	2,812	-	-	1,641	250	53,936	262,341
OTHER CHANGES IN NET ASSETS	(10,737)	-	-	-	-	-	-	10,737	-
Fixed Asset Acquisitions	-	-	-	-	-	-	-	-	-
NET ASSETS - END OF YEAR	\$ 233,257	\$ -	\$ 502,843	\$ -	\$ -	\$ 1,651	\$ 250	\$ 41,600	\$ 779,601

See independent auditor's report.

**SOUTHEASTERN LOUISIANA AREA
HEALTH EDUCATION CENTER FOUNDATION
SUPPLEMENTARY INFORMATION**

**SCHEDULE III
ALLOCATION OF PROGRAM MANAGEMENT AND GENERAL
AND ADMINISTRATIVE EXPENSES
For The Year Ended June 30, 2004**

Expense Description	Allocation		Amount
	Program Management	General and Administrative	
Salaries and Related Benefits	\$ 201,262	\$ 205,328	\$ 406,590
Supplies and Maintenance	14,252	14,540	28,792
Professional Costs	17,466	17,819	35,285
Depreciation	17,410	17,762	35,172
Travel	5,088	5,190	10,278
Dues and Conferences	3,313	3,379	6,692
Utilities	9,603	9,796	19,399
Equipment Expense	3,472	3,542	7,014
Legal Expenses	1,354	1,381	2,735
Other	8,848	9,026	17,874
Totals	<u>\$ 282,068</u>	<u>\$ 287,763</u>	<u>\$ 569,831</u>

See independent auditor's report.

OMB CIRCULAR A-133 SECTION

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2004**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Revenue Recognized</u>	<u>Federal Disbursements Expenditures</u>
<u>U.S. Department of Health and Human Services</u>				
Direct Award:				
Rural Health Outreach	93.912	N/A	\$ 490,122	\$ 490,122
Passed-through Louisiana State University Medical Center:				
Area Health Education Centers - Model Programs	93.107	None	82,352	82,352
Passed-through City of New Orleans - Office of Health Policy:				
Ryan White Comprehensive AIDS Resources Emergency Act of 1990 - Title I	93.914	98OHP0014C	142,029	142,029
Passed-through Louisiana Department of Health and Hospitals:				
Rural AIDS Prevention Program Region III	93.940	14547/16716	18,125	18,125
Rural AIDS Prevention Program Region IX	93.940	14547/16716	53,652	53,652
Genetic Research Grant	93.912	1D04 RH 00136-01	461,980	461,980

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For The Year Ended June 30, 2004**

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Federal Revenue Recognized</u>	<u>Federal Disbursements Expenditures</u>
Preventive Health Services Sexually Transmitted Diseases	93.977	19056	<u>463</u>	<u>463</u>
Subtotal - U.S. Department of Health and Human Services			<u>1,248,723</u>	<u>1,248,723</u>
 <u>U.S. Department of Education</u>				
Passed-through Louisiana Department of Health and Hospitals:				
Children's Special Health Services	84.181	598853	<u>227,785</u>	<u>227,785</u>
Total			<u>\$ 1,476,508</u>	<u>\$ 1,476,508</u>
 RECONCILIATION				
Cooperative Endeavor with LSUMC – Federal Portion			\$ 82,352	
Federal Grant Revenue			<u>1,394,156</u>	
			<u>\$ 1,476,508</u>	

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2004**

NOTE A

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the grant activity of **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Southeastern Louisiana Area
Health Education Center Foundation

We have audited the financial statements of **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION (FOUNDATION)** (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the **FOUNDATION's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit we considered the **FOUNDATION's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

110 VETERANS MEMORIAL BOULEVARD, SUITE 200, METairie, LA 70005-4958 • 504.835.5522 • FAX 504.835.5535
5100 VILLAGE WALK, SUITE 202, COVINGTON, LA 70433-4012 • 985.892.5850 • FAX 985.892.5956

WWW.LAPORTE.COM

RSM McGladrey Network
An Independently Owned Member

This report is intended for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

December 13, 2004



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Southeastern Louisiana Area
Health Education Center Foundation

Compliance

We have audited the compliance of **SOUTHEASTERN LOUISIANA AREA HEALTH EDUCATION CENTER FOUNDATION's (FOUNDATION)** (a nonprofit organization) with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The **FOUNDATION's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the **FOUNDATION's** management. Our responsibility is to express an opinion on the **FOUNDATION's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the **FOUNDATION's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the **FOUNDATION's** compliance with those requirements.

In our opinion, the **FOUNDATION** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the FOUNDATION is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the FOUNDATION's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to the major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



A Professional Accounting Corporation

December 13, 2004

**SOUTHEASTERN LOUISIANA AREA HEALTH
EDUCATION CENTER FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COST
For The Year Ended June 30, 2004**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the **FOUNDATION**.
2. No reportable conditions relating to the audit of the financial statements of the **FOUNDATION** were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of the **FOUNDATION** were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the **FOUNDATION** expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the **FOUNDATION** are reported in Part C. of this Schedule.
7. The programs tested as major programs included:

<u>PROGRAM</u>	<u>CFDA No.</u>
Genetic Research Grant	93.912
Rural Health Outreach	93.912
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The **FOUNDATION** was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None